

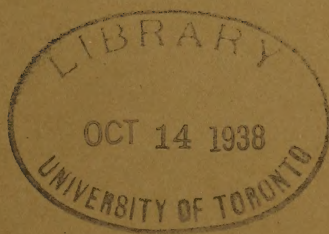
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War's Effect on British Securities



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Pres Eng Prof H R Kemp

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JAS. H. OLIPHANT & CO.

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The Effects of the War on British Securities

A STUDY of the effects of the European War on British securities brings to light many interesting facts, such facts as we Americans may and must weigh carefully. We are entering the struggle in a rôle somewhat similar to that of Great Britain when she entered it 1,150 days ago, namely as the Banker of the Allied Nations. During England's 1,150 days of war she has advanced to Russia and other countries £1,025,000,000 (about \$5,000,000,000) and to her Colonies approximately £150,000,000 (\$730,000,000). Britain's total borrowings during the period have amounted to no less a sum than £3,996,926,200 (\$19,000,000,000), a sum almost too vast to be comprehensible. Britain will likely no longer be able to finance her allies to such an extent as formerly. Already to many it appears not unlikely that a large part of the five billions which has gone to aid financially weaker Allies will have to be written off and the debt saddled on the British public. United States has already advanced to its allies more than two and one-quarter billion dollars and if the war is to be carried on successfully must continue to render material financial aid to its allies, especially to Russia. Our position in the War during the days to come will, as stated, be somewhat similar to that of Great Britain in its three year period as Allied Banker. This being the case it is well to study carefully the effect on the prices of British Securities and to draw conclusions accordingly.

There follows a number of tables and illustrations which indicate the course of Government, Railway,

Note: "Present Prices" given in the various tables in this article, represent generally prices ruling within a few weeks prior to publication.

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Industrial and other securities, the money rates in Great Britain, dividend records and earnings of certain corporations, etc.

Government and Colonial Bonds

	Average Price Jan.-July 1914	Average 1915	Average 1916	Present Price
British Consols.	77	62	58½	55
India 3½% (1931)	88½	82	73	66
Transvaal 3% (1923-53)	92	88	76	67½
Canada 3%, 1938.	85	84	74	68
New South Wales, 4%, 1933.	100¼	97	88	82

The aggregate par value of above five bonds is \$3,300,000,000. The decline in their total market value since 1914 amounts to more than \$675,000,000. All listed Government and Colonial bonds and debentures have declined proportionately with the decline shown in the table. Total listings of Government and Colonial loans, *not including war loans, other than the 3½% Loan of 1914*, amount to \$9,000,000,000. During the three year period of war they have declined in market value approximately \$2,000,000,000, or 22%.

Municipal and County Bonds

	Average Price Jan.-July 1914	Average 1915	Average 1916	Present Price
Metropolitan (London), Consol 3½%	98½	96¾	87½	80
London County 3%, 1920, etc.	83	§	66	58
Birmingham 3½% (1946)	97	§	80	70
Dublin, Ireland, 3¼%	81	§	64	60
Liverpool 3½%	95	§	81	75

§Prices not available.

These bonds are considered among the highest class investments in the entire world. In 1914 long term and medium term Municipals and

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County bonds were selling between a 3.50% and 3.75% basis, as compared with between a 4.90% and 5.50% basis at the present time. These securities are generally free from various taxes. American Municipals at the present time average about 4.35% yield, as compared with about 4.20% before the war.

Every listed British Municipal Bond has declined in price, representing an aggregate loss of probably more than \$800,000,000.

Government Bank Stocks

	Average Price Jan.-July 1914	Average 1915	Average 1916	Present Price
Bank of England.	251	240	212	200
Bank of Ireland.	220	208	193	180

Bank of England Stock is on a 10% dividend basis. Before the War it sold at prices to yield less than 4%; at present prices its yield is approximately 5%. Its present price represents a slight advance over the low price for the year, 189. The capitalization of the Bank of England is £14,553,000 and of the Bank of Ireland, £2,769,231.

British Government, Municipal, County and Colonial bonds are listed to the total approximate amount of \$10,700,000,000 and represent about 20% of the total amount of securities dealt in on the London Stock Exchange. The total decline in selling price or market value of these securities exceeds \$2,500,000,000. Adding to this the shrinkage in the War issues of the Government, which with the exception of the issue of 1914 are not included in the amount as stated above, the loss in market value would probably reach \$3,000,000,000, or probably more than \$300 for every family in Great Britain.

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British Railway Securities (Ordinary Stocks)

	Average Price Jan.-July 1914	Average 1915	Average 1916	Present Price
Caledonian Ry.....	71½	53	51	47
Great Eastern Ry.....	49	38	37	35
Great Northern Ry. Pfd. Ordinary.....	86	75	69	63
Great Central Pfd. Ordinary	28	16½	15	13
Great Western Ry.....	115	100½	94	84½
London & North Western Ry.....	131	111	101	91
Midland Ry. Deferred Ordina- ry.....	70½	61	59	55
North Eastern Ry.....	124	110	103	98½

The aggregate par value of the eight stocks, as listed above, amounts to more than \$800,000,000. The decline in their market value since 1914 totals more than \$200,000,000, equal to 25% of their previous selling value. All railway ordinary or common stocks listed in London have declined since 1914.

Active Railway Guaranteed and Preference

	Average Price Jan.-July 1914	Average 1916	Present Price
Midland Ry. 2½% Guar. Pfd.....	66	53	46
Midland Ry. 2½% Pfce.....	60	52	45
North Eastern Ry. 4% Pfce.....	101	84	71
Great Western Ry. 5% Pfce.....	126	106	88
Lancaster & Yorkshire 3% Pfce.....	77	61	51

The total par value of the above mentioned five stocks exceeds \$650,000,000; their decline since 1914 exceeds \$156,000,000 (24%). This entire class of securities has fallen off in market price to a like extent. An example will be cited:—the Victoria Station & Pamlico, the

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highest priced guaranteed stock in English markets sold at an average of 229 in 1914; it is a 9% stock and the yield at that figure would be about 4%. Its present price is 157 and the yield 5¾%.

British Railway Bonds and Debentures

	Average Price Jan.-July 1914	Average 1916	Present Price
Great Central 4½%.....	113	86	77
Great Eastern 4%.....	101	84	71
Great Western Ry. 4%.....	102½	87	74
London & North Western Ry. 3½%..	80	65	56
Midland Ry. 2½%.....	65	54	47
North Eastern Ry. 3%.....	77	65	55

The aggregate par value of the six debentures quoted above is approximately \$725,000,000 and the decline in their total market value is well in excess of \$175,000,000. Every British railway bond and debenture listed in London has shown a corresponding decline and the yields today vary from 5.30% to 6.70% as compared with 3.85% to 4.50% before the War.

Colonial and Foreign Rails Listed in London

British investments in the foreign railway field have been very large. Practically the entire railway mileage of South America is under British management and control and British interests spread to Africa, the Far East and throughout the entire Colonial Empire. Owing to the fact that American Rails listed in London have been largely subject to conditions on the New York market they have been omitted from discussion in this article.

	Average Price Jan.-July 1914	Average 1916	Present Price
Buenos Ayres Great Southern Ry. Ord.....	111	82	73
Central Argentine Ry. Ordinary.....	100	76	58
Rhodesia 4% Debentures.....	85	68	62
Grand Trunk Ry. of Canada Ordinary	20	10½	9¾
Grand Trunk Ry. of Canada Guar. 4%.....	83	63	59
Bengal & North Western (India) Or- dinary.....	154	121	115

The aggregate par value of the above six stocks and debentures is \$480,000,000. The decline in market value of these stocks is \$135,000,000. Of the 27 leading listed Colonial and Foreign Rails, not including American, 25 have declined in price and 2 have advanced since 1914. These declines in prices have taken place despite the fact that practically all of the Colonial and a large proportion of the foreign rails are showing larger profits than were earned in the last fiscal year before the outbreak of the War. Foreign and Colonial Preferred Stocks and Debentures have likewise declined in equal proportion to British securities of like character. For example, the 4% Debentures of the Buenos Ayres Great Southern Ry. (£15,400,000), closed July 27, 1914, at 100. Their present price is 70, a decline of 30% for a security which generally sold on a parity with or higher than Pennsylvania R. R. Consolidated 4% bonds.

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British Bank Stocks

The shares of the larger banks of Great Britain are favored forms of investment with the British public and enjoy considerable activity on the Stock Exchange. Quotations of four of the most important bank stocks are shown in the following table:

	Paid in	Average Jan.-July 1914	Average 1916	Present Price
Lloyds Bank.....	£ 8	£30 (375%)	24½	£24 (300%)
London City & Midland.....	2.10s	9¾ (390%)	7¾	7½ (300%)
London County & Westminster.....	5	21½ (430%)	15	14½ (290%)
Union of London & Smith's.....	15.10s	34 (221%)	24½	23½ (152%)

*Not available.

The aggregate par value of the above bank shares is about \$400,000,000. Their decline since 1914 has exceeded \$100,000,000 or 25% of the total market value before the War. Of the 40 leading banks whose shares are listed in London, 36 have declined and 4, all of which are doing business abroad, have advanced, all of these advances being nominal.

Commercial, Industrial, Breweries, Textiles, Etc.

(Not including Iron, Coal and Steel)

There is hardly an industrial company of importance in Great Britain which has not participated to some extent in the war business. The earnings of industrials, as will be shown in a later table, have as a whole been maintained up to pre-war standards. Despite that fact all, or practically all, of the bonds and limited preference stocks of these companies have declined in common with other investment securities and many of the ordinary or common shares are likewise selling below the pre-war level. In the table that follows a number of important industrials are mentioned, practically all of which are securing war business. For example, Guinness & Co. is one of the two important concerns in the brewing trade whose product is furnished to soldiers at army commissariats; Coats & Co., the largest thread manufacturers in Great Britain, receive very large orders from concerns engaged in the manufacture of uniforms, underclothing, etc., for the army and navy; Bovril, Ltd., is one of the largest firms dealing in meat products; Associated Portland Cement Co. receives large orders for its product to be used in trench building.

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	Par Value	Average 1914	Avg. 1916	Present Price
Guinness & Co.	100	380	255	270
Coats & Co. (J. P.)	£1	7 $\frac{7}{8}$ (788%)	6	6 $\frac{1}{2}$ (650%)
Bovril, Ltd.	1	20s 6d (102%)	20s 3d	18s (90%)
Associated Portland Cement.	10	5 $\frac{3}{8}$ (54%)	3 $\frac{1}{2}$	4 (40%)
British American Tobacco.	1	4 $\frac{3}{8}$ (438%)	4 $\frac{1}{2}$	5 (500%)
British Westinghouse (a)	2	1 $\frac{3}{4}$ (88%)	2 $\frac{1}{8}$	2 $\frac{1}{4}$ (113%)
Brunner, Mond & Co. (b)	1	4 $\frac{1}{2}$ (450%)	4 $\frac{1}{8}$	4 $\frac{1}{4}$ (425%)
Imperial Tobacco Co. 10% Def.	Ord.	2 $\frac{1}{8}$ (212%)	1 $\frac{3}{4}$	1 $\frac{3}{4}$ (175%)
Curtis & Harvey (Explosives)	1	1 (100%)	1 $\frac{1}{2}$	1 9-16 (156%)
Curtis & Harvey (Debentures 4 $\frac{1}{4}$ %)	100	78 (78%)	74	72 (72%)
Calico Printers Association.	1	$\frac{1}{2}$ (10s) (50%)	11s	14s (70%)
Calico Printers 4% 1st Deb.	100	87 (87%)	69	63 (63%)
Bass' Ale 5% Pfd. (com. not listed)	100	102 (102%)	82 $\frac{1}{2}$	77 (77%)
Dalgaty & Co.	5	7 $\frac{1}{4}$ (144%)	6 $\frac{1}{4}$	6 (120%)
Pears (A. & F.) 12% Pfd. (c)	1	2 $\frac{1}{8}$ % (212%)	1 $\frac{7}{8}$	1 $\frac{3}{4}$ (175%)
United Alkali 7% Cum. Pfd.	10	6 (60%)	9	9 $\frac{1}{2}$ (95%)
Lipton, Ltd.	1	18s (90%)	14s	21s (105%)
General Electric (British) 6% Pfd.	10	11 (110%)	9 $\frac{3}{4}$	9 (90%)

(a) 15% preferred and participating stock; common stock of company issued only for voting purposes and outstanding in nominal amount. (b) Manufactures chemicals, soda, glycerine, soap, etc. (c) Common stock not listed.

Of the 160 most active industrial, breweries, textiles, etc., listed on the London Stock Exchange, 112 securities have declined and 46 advanced from the closing price on the London Stock Exchange July 27, 1914. Those which have advanced are common stocks of companies which have wholly or almost wholly handled war business.

Iron, Coal, and Steel Ordinary Stocks

This is a class of securities which has naturally profited from the war. Iron and steel companies have given their almost undivided attention to Government business and, as most of these concerns are running 24 hours a day, substantial increases in profits, despite higher raw material costs, have been realized.

	Par of Shares	Average Prices Jan.-July 1914	Avg. 1916	Present Price	
Armstrongs.....	£1	40s 6d (202½%)	39s	39s	(195%)
Babcock & Wilcox (British).....	1	2⅞ (287½%)	2¾	3⅞	(312%)
Pease & Partners.....	10	13 (130 %)	15	16	(160%)
Powell-Duffryn Coal...	1	2⅝ (262½%)	3⅞	2¾	(275%)
Vickers Ordinary.....	1	37s (185 %)	37s	38s 3d	(191%)
John Brown & Co., Ltd.	1	21s (105 %)	24s	34s	(170%)

The aggregate par value of the securities mentioned above is about \$80,000,000 and the advance in market value is about \$9,000,000, equal to about 11¼%. Debentures and preference stocks of the six companies, as per table, have *declined* to such an extent that the *actual value* of all securities of said six companies is *less* than in 1914, despite larger average profits and higher ordinary dividends. Armstrongs, preference shares (two classes) have declined from 86% and 104% to 68% and 80% respectively, and the debentures have sold off from 98 to 76; Pease & Partners 4% debentures were 92 and are now 68; Vickers 5% preferred and 4% First Mortgage debentures have likewise declined from 106 and 98 respectively, to 84 and 79.

Of the 55 leading iron, coal and steel securities listed in London, 37 have advanced and 18 declined since 1914, this list, however, being made up almost wholly of ordinary stocks.

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Taking as an illustration 25 ordinary, 25 preference and 25 debenture stocks (or bonds), the following results are shown.

	Advanced	Declined
Ordinary Shares.....	20	5
Preference Shares.....	4	21
Debentures or Bonds.....	2	23
	<hr/>	<hr/>
	26	49

The two companies whose debentures advanced were on the verge of a receivership at the beginning of the war and have been placed in a much stronger position through the war orders received. Listed securities of iron, coal and steel companies, not including American companies, might be classified approximately as follows: Ordinary shares 40% of total; preference 35% of total; debentures and bonds 25% of total; the aggregate per value of all listed iron, coal and steel securities, excluding those of American companies, being approximately \$600,000,000.

Public Utility Securities

Stocks and debentures of public utility companies with the possible exception of common stocks of telegraph companies have generally declined. A list of important companies follows:

	Average Price Jan.-July 1914	Average 1916	Present Price
Gas Light & Coke Co., London...	104	76	69
South Metropolitan Gas, London	114	81	73
Underground Elec. London (10 par).....	2¾ (27½%)	2	1¾ (17½%)
Underground Elec. London 6% Incs.....	90	85	84
Eastern Telegraph.....	136	139	146
Metropolitan Water Board 3% "B" Stock.....	81	65	59

Note: The Metropolitan Water Board 3% "B" Stock is virtually a municipal obligation.

Of the 50 leading Public Utility securities (not including Water Board securities) listed on the London Stock Exchange, 16 have advanced and 34 declined since July, 1914. Practically all of the stocks which have advanced are those of Telegraph Companies, which class of securities has generally benefited from war business.

An example of the effect of the war on Public Utility stocks is shown in the table which follows. Ten leading stocks of each class are selected.

	Advanced	Declined
Water Companies.....	..	10
Gas Companies.....	..	10
Electric Lighting and Power.....	1	9
Electric Traction and Omnibus...	1	9
Telegraph and Telephone.....	7	3
	<hr/> 9	<hr/> 41

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Prices of Miscellaneous Securities

Insurance Stocks

Selecting 15 representative Insurance Companies' stocks from the list of those quoted on the London Stock Exchange it will be found that 7 have advanced and 8 declined in price since July 27, 1914. The insurance companies doing a general business have profited through marine, zeppelin and other forms of war insurance. The capitalization of the 15 companies referred to amounts to about \$125,000,000 and the decline in price to about \$5,000,000.

Nitrate Stocks

Excepting only during the early period of the war, business of the nitrate companies has exceeded all records owing to the demand for the product in munition making. Of the ten leading nitrate stocks listed, six have advanced and four declined in price. The total capitalization of these ten companies does not, however, exceed \$25,000,000, the total capitalization of all nitrate securities listed not exceeding \$40,000,000. Selling prices of these nitrate securities are on the aggregate about \$2,000,000 higher than in 1914, an advance of only 5% despite unprecedented prosperity.

Shipping Shares

Despite the alarming losses met with by the various steamship companies, the large number of ships requisitioned by the Government and the excess profits war taxes, the profits of the business have been enormous.

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Advances in common stocks of these shipping companies have been quite large, although not comparable with the advances recorded in American steamship shares. All of the investment securities of these companies, debentures and preference shares, have however declined in common with securities of like character of other branches of industry.

There follows a table indicating the 1914 and present prices of the Shipping Companies' securities:

	Par Value	Average Price Jan.-July 1914	Av. 1916	Present Price
Cunard Line Ord.	£1	£1½ (162½%)	£4	£3¾ (375 %)
Furness, Withy & Co., Ord.	1	1½ (137½%)	2½	2¼ (225 %)
Peninsular & Oriental Ord.	100	295 (295 %)	310	323 (323 %)
Royal Mail Steam Packet.	100	92 (92 %)	116	114 (114 %)
Anchor Line 5½% Pfd.	10	10½ (105 %)	9½	9 (90 %)
Ellerman Line Pfd. Ord.	10	10½ (105 %)	9½	8¾ (87½%)
Cunard Line Pfd. (5% cum.)	100	102 (102 %)	92	86 (86 %)

The aggregate par value of all shipping shares listed on the London Stock Exchange is approximately \$280,000,000, of which approximately \$90,000,000 (32%) represents common or ordinary stocks. This class of securities has probably advanced \$45,000,000 or 50%, whereas preference and debenture stock and bonds have declined not less than 15% to 20%, equal to from \$28,500,000 to \$38,000,000.

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Mining Stocks

Increased profits and the willingness on the part of British investors to buy highly speculative issues in order to secure incomes sufficiently large to take care of increased war taxes has helped this class of stocks, also rubber, oil, tea, land, plantation and other such securities. The following table however indicates that the advance in mining shares has not been as pronounced as has been generally supposed, but has been confined largely to copper and tin shares. The following table indicates the relative number of mining stocks that have advanced or declined since July 27, 1917. This is by no means a complete list of all mining companies traded in on the London Exchange and mining share market but is a representative list of mining securities:

	Number of stocks which have ad- vanced since July, 1914	Number of stocks which have de- clined since July, 1914
Kaffir.....	18	28
Rhodesian.....	12	17
West Australian.....	4	12
Diamond Mines.....	2	4
West Africans.....	5	6
Broken Hills (Australian)...	9	..
Coppers.....	7	4
Tin Shares.....	23	10
Americans (a).....	9	10
Russians.....	4	5
Miscellaneous.....	7	4
Total.....	100	100

(a) Not including securities listed in the U. S. A.

Oil Stocks in London

This class of securities has as a whole held its own. There have been some pronounced advances, likewise a number of heavy declines especially in Roumanian oil shares, a number of which are listed or traded in on London markets. Russian oils are also a factor in the London market and these naturally are somewhat unsettled. A selected list of 21 active oil stocks shows 11 declines and 10 advances since 1914. Listed oil shares outstanding total about \$150,000,000 and taken as a whole prices remain substantially unchanged as compared with 1914.

Rubber and Plantation Shares

Rubber shares have shown probably the largest advances of any securities in the British markets. At the closing of the Stock Exchange in 1914, this class of stocks, owing to the collapse of the rubber share boom a short time before, was selling at very low prices. The demand for high yielding securities and the increases in profits and dividends of most of the companies brought about a marked rise in this kind of stock. Of the 100 leading rubber stocks listed in London either on the Exchange or on the Mincing Lane Rubber Market, 93 have advanced and 7 declined. A majority of tea, coffee and other plantation stocks have also advanced. Securities of this class listed on the Exchange represent a total par value of approximately \$120,000,000 and the advance in their market value would probably approximate \$60,000,000 or 50%.

Concerning tea shares, it is interesting to note that in a list of 35 important Ceylon and Indian tea companies, 23 have advanced and 12 declined.

Other classes of securities listed in London will not be reviewed at length. Selecting at random 15 Land Company active stocks, 9 show advances and 6 declines since 1914; a list of 15 Egyptian stocks indicates 10 advances and 5 declines. On the other hand Canal and Dock securities, approximately \$100,000,000 of which are listed, and Financial Trust stocks and debentures, \$500,000,000 of which are listed, have shown considerable declines.

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The total par value of all securities listed in London, including American securities, but excluding all excepting the earlier War Loans, is approximately \$58,000,000,000. Omitting American securities from the list the following *estimated* advances and declines have resulted:

	Approximate Amount Listed	Aggregate Decline Estimated	Aggregate Advance Estimated
British Funds (Government).....	\$6,000,000,000	\$1,400,000,000 (23%)	
Municipal and County Bonds.....	1,300,000,000	300,000,000 (23%)	
Colonial Bonds.....	3,400,000,000	800,000,000 (23%)	
Foreign Government and Municipal.....	16,000,000,000	3,500,000,000 (22%)	
British Railways.....	6,200,000,000	2,000,000,000 (32%)	
Colonial Railways.....	2,300,000,000	350,000,000 (15%)	
Foreign Railways (not U. S.).....	3,800,000,000	1,000,000,000 (26%)	
Banks.....	1,500,000,000	375,000,000 (25%)	
Public Utilities.....	2,000,000,000	400,000,000 (20%)	
Financial Trusts, Lands, etc.....	1,200,000,000	200,000,000 (17%)	
Commercial, Industrial, etc.....	3,000,000,000	600,000,000 (20%)	
Insurance.....	350,000,000	10,000,000 (3%)	\$ 60,000,000 (10%)
Iron, Coal and Steel...	600,000,000		2,000,000 (5%)
Nitrate.....	40,000,000		
Oil.....	150,000,000		
Shipping.....	280,000,000		*15,000,000 (5%)
Tea, Coffee and Rubber	120,000,000		60,000,000 (50%)
Mines, including unlisted.....	620,000,000		6,000,000 (1%)
Total.....	\$48,860,000,000	\$10,935,000,000(22.38%)	\$143,000,000 (0.29%)

*See explanation under heading Shipping Securities, page 7.

The approximate net decline, as above, is \$11,292,000,000, equal to approximately 23.1% of the total par value of all securities listed, excluding Americans. At what exact aggregate figure these securities were selling before the War, it would be difficult to ascertain. It is, however, safe to say that the average would not be so high as par. British Funds, Municipals, Colonials, Home Railways, Colonial Railways and Foreign Governments usually sold at a discount; Bank, Insurance and a fair proportion of Commercial and Industrial securities were at a premium.

American Rails listed in London amounted to more than \$8,000,000,000. These were mostly, however, listed on the New York Stock Exchange also. Other Americans listed, but also quoted on the New York Stock Exchange, including U. S. steel, would probably amount to nearly \$2,000,000,000. Owing to the fact that a vast percentage of British holdings in American securities were sold in early war days, it is probable that losses have also been realized in this class of securities.

A portion of the \$16,000,000,000 Foreign Government and Municipals is certainly

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not held in Great Britain. This estimated aggregate total, includes Russian and Latin American bonds, a portion of which are held in France and Holland. It also includes certain French, German and Hungarian bonds, and \$62,000,000 American bonds. It is possible that fully \$4,000,000,000 of these bonds are not held in Great Britain.

Bank Rates During War

	Jan.-Jly. 1914 Average	1915 Average	1916 Average Jan.-Jly.	1916 Average Jly.-Dec.	1917 to date
Bank Rate.....	3.52%	5.00%	5.00%	5.95%	*5.20%
Loans to Stockbrokers.	2.13%	4.73%	5.00%	5.87%	5.50%
Three Months' Bills...	2.52%	3.70%	4.88%	5.55%	*5.00%

*Estimated. Bank of England rate was reduced to 5% April 5, 1917, at about the time of the entrance of the United States into the war.

New Issues of Securities During War Period

During the year ended April 30, 1916 (latest statistics available), the total number of joint stock companies and corporations registered in Great Britain was only 4,062, capitalized at an average of *less than \$65,000 per company*. This is the lowest total recorded in generations, comparing with 6,214 concerns capitalized at \$90,000 per company in 1914-15 and 7,425 concerns capitalized at upwards of \$100,000 per company in 1913-14. (In 1912-13 the 7,367 companies registered were capitalized at \$115,000 per company.) A very large percentage of firms incorporated since 1914 are engaged wholly or largely in war work.

Securities of *all descriptions* newly issued during the calendar years 1913, 1914, 1915 and 1916, also during the first 8 months of 1917 have amounted as follows:

Total		Government and Allied War Issues	Issued for other than War Purposes
1913	\$975,000,000.....		\$975,000,000
1914	2,500,000,000.....	\$1,500,000,000	1,000,000,000
1915	3,400,000,000.....	3,300,000,000	100,000,000
1916	2,900,000,000.....	2,850,000,000	50,000,000
1917	5,300,000,000.....	5,225,000,000	75,000,000

It is of interest to state that the capital issues, not including Government Securities, for the month of July, 1917, amounting to approximately \$15,500,000, were for the following purposes:

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Sale of Enemy's holdings in Pacific Phosphate Co. securities.	\$2,850,000
*Continental Can Co., U. S. A. (subscription to new stock) . .	*2,000,000
An Indian Railway 4½% Bond to replace a maturing 3½% bond.	2,400,000
Peter Hooker Co. 7% Pfd. (make aeroplane engines)	1,200,000
Lambert Bros. (realized by capitalizing Reserves)	1,000,000
Lever Bros. (chemicals, soaps, etc.)	5,000,000
Balance (steamships, motor manufacturers, etc.)	1,100,000
Total	\$15,500,000

*This includes stock offered to American holders of Continental Can Co. stock. Probably not more than 25% of the old stock was held in Great Britain, making a reduction of \$1,500,000 in the above figures.

A very large proportion of the securities offered since January 1, 1915, was issued to take care of maturing obligations and pay off floating debt. During the two years 1915 and 1916, British Railway issues only amounted to about \$23,000,000, including about \$10,000,000 to meet bills and obligations due, a total sum equal to only about 1-6 of 1% of the total capitalization of these railways.

War Time Dividends of British Railways

There follows a selected list of the common or ordinary stocks of several of the most important British Railways, together with their dividend records 1913 to 1916, inclusive.

	1913	1914	1915	1916
Caledonian	3½	3½	3¾	3¾
Great Eastern	2½	2½	2½	2½
Great Western	6¼	6	5¾	5¾
Great Northern	3	2¾	2½	2½
London & North Western	7	6	6	6
London & South Western	5⅞	5⅞	5½	7
Midland	4¼	4	4	4
North Eastern	7	6½	6½	6½
South Eastern	4	3½	3½	3½
Average	4.82%	4.48%	4.40%	4.58%

War Time Dividends of British Industrials

Annual Profits of Industrials

The "Economist" of London states that the average profit per Industrial Joint Stock Company in Great Britain (932 companies are selected) for the year 1916 was \$460,000, as compared with \$360,000 in 1915 and \$375,000 in 1914. Profits on capital during a period of years is shown in the following table:

	Return on Preference and Ordinary Capital	Dividend Rate on Preference Stock	Dividend Rate on Ordinary Stock
1913.....	11.7	5.1	10.2
1914.....	10.9	5.0	10.0
1915.....	10.2	4.8	9.0
1916.....	13.2	5.1	11.0

Tables indicating profits of a few industrial companies are here shown:

Imperial Tobacco Company

	1913	1914	1916
Profits (after £1,000,000 appropriated annually to reserves).....	\$11,000,000	\$11,200,000	\$12,000,000

In 1915 the Profits were \$12,000,000. Dividend payments on the 6% and 5½% preference stocks and on the

WAR'S EFFECT ON BRITISH SECURITIES

10% "A" deferred stocks have remained unchanged (see page 13 concerning prices of this class of stock). Dividends on the Ordinary Shares, which are not publicly quoted, were at the rate of 35% in 1913 and 1914, 40% in 1915 and 22½% in 1916. In the latter year the capitalization (ordinary stock) was doubled and dividend payments were actually larger than in 1915.

Bovril, Ltd. (Beef and Beef Products)

	1913	1914	1915	1916
Net Profits.....	\$480,000	\$570,000	\$720,000	\$730,000

The dividend rate on the Ordinary Stock (see page 13) has been 7% per annum throughout the four year period as above. Dividends on the deferred stock were at the following rates: 1913, 2%; 1914, 2½%; 1915, 3%; 1916, 3¾%. This deferred stock is quoted at 8s 6d per £1 share (42½%), as compared with 6s 6d (32½%) in 1914.

Bradford Dyers Association

	1913	1914	1915	1916
Net Profits.....	\$2,100,000	\$1,900,000	\$2,800,000	\$4,000,000
Depreciation and Reserve.....	800,000	440,000	1,200,000	1,500,000
Dividend Rate on Ordinary.....	7%	5%	10%	15%

JAS. H. OLIPHANT & CO.

The £1 Ordinary Stock was quoted at 23s 6d in 1914 (117½%); its present quotation is 31s (155%). The 5% Cumulative Preference Stock is quoted at 90%, as compared with 110% in 1914; the 4% First Mortgage Bonds have dropped from 96 to 70. Despite the wonderful prosperity of the company, the actual selling price of all outstanding securities of the company is lower than 1914.

British American Tobacco Co. (year ended Sept. 30)

	1914	1915	1916
Net Profits.....	\$10,500,000	\$9,200,000	\$13,600,000
Pref. Div. 5%.....	1,100,000	1,100,000	1,100,000
Ordinary Div.....	*24½%	22½%	30%

*1913, 27½%.

As stated on page 13 the rise in Ordinary Stock since 1914 has only carried the stock from 438% to 500%. This advance is, however, partially due to expected better business in 1917, for at the date of the publication of the 1916 earnings, the stock was selling at about 4½, or 450%. The profits as shown above have been realized despite the large taxes paid by the company and the setting aside of larger sums for reserves.

J. & P. Coats (see page 13)

	1914	1915	1916
Net Profits (year ended June 30).....	\$13,000,000	\$12,800,000	\$16,000,000
Dividend Rate on Ordinary Stock.....	*30%	30%	30%

*35% in 1913.

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As indicated on page 13, this company's securities, despite larger business profits, are selling at a figure considerably below 1914.

Bass & Co. (Bass' Ale)

Year ended June 30	1914	1915	1916	1917
Net Profits.....	\$2,500,000	\$2,200,000	\$2,500,000	\$2,600,000
Dividends on Ordinary Stock.....	15%	10%	12%	14%

The Ordinary Stock of this company is privately held and not quoted. Preference Stock and Debentures have shown a considerable decline, despite fair profits.

Pease & Partners (see page 14)

Year ended April 30	1914	1915	1916	1917
Net Profits.....	\$1,550,000	\$ 850,000	\$1,750,000	\$2,000,000
Div. Rates on Ord. and Deferred.....	12%	10%	15%	17½%

This company owns iron mines and foundries, also coal mines and collieries. Its profits, despite the war taxes, are very large and its assets have increased considerably since July, 1914. As stated on page 14, the rise in the price of Ordinary Stock from 130% to 160% has been largely offset by the decline in Debentures. The yield on the Ordinary Stock is 11½%, as compared with approximately 9% in 1914, and the yield on the Deferred Stock which sells at 140% is 12½%.

Conclusion

In concluding this review of the effect of the war on various classes of British securities it hardly seems necessary to emphasize the fact that investment securities of almost every kind have shown a very serious decline in prices. This downward march of values has steadily continued despite the fact that many price restrictions were not removed before the close of 1915 and despite the fixing of rates in 1916 at which the Government stated its willingness to borrow a vast number of securities of the investment class. In loaning the securities to the Government an additional 1% was netted by the investor and this attraction caused a large number of stock and bond holders to remove their securities from the market. The reduction of the Bank rate (which was advanced to 6% in the latter part of 1916), first to 5½% and then to 5% acted as a stimulus to the market this year and the entrance of the United States into the war, removing as it did somewhat the pressure on British Government public borrowings and assuring the eventual success of the Allied cause, was also a bullish factor. The price revival has been but slight however and prices still continue at a low figure with prospects of going lower. As a final paragraph the writer quotes Thomas Skinner, the well known English financial writer, with reference to the effect of the War on the market during the year 1916:

“A comparison with this time last year (written November, 1916), when minimum prices were maintained, is perhaps not very useful, but all the same it yields striking results. British Government stocks show falls ranging up to 27%, Home Corporation stocks up to 18%, Colonial and Provincial Government Stocks up to 15%. Colonial and Foreign

WAR'S EFFECT ON BRITISH SECURITIES

Corporation issues up to 15% and Foreign Government bonds up to 22⁷/₈%. Under the arrangements made with the Government, Home Railway companies have about maintained their dividends, and the ordinary stocks which suffered severely last year, have not, as a rule, lost further ground, but the prior charge stocks have had to find much lower levels, declining up to 30%. Indian Railway securities have been flat, of course, but the fall in prices has not been great in comparison with the experience in other directions. Very different has been the course of some Colonial Railway issues, which have declined from 5% to as much as 35%. Canadian Pacific shares, which last year (1915), rose from 160 to 200, have lost half of that rise, in spite of abounding prosperity (the price of Canadian Pacific as of September 27, 1917, was 152). In contrast with the foregoing has been the firmness of the American Railway market, this being due, no doubt, not only to the good earnings of the roads, but to the demands for investments in the United States, where business of all kinds has been and is in the fullest activity. Trade restrictions have told severely upon the Brewery shares Hotel properties have also suffered; but the Shipping, Tea, Rubber and other companies benefited by the War have naturally gained some ground, this remark applying especially to the Shipping shares, which have secured a phenomenal appreciation." (Note: The rise in shipping shares, which occurred during the second half of 1916, has been considerably checked and prices have declined generally from high figures.)

October 1, 1917

Printed by L. MIDDLEDITCH Co., NEW YORK

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